



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



FILE COPY

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November 23, 2009

Laurie Tochtrop, Executive Director  
Jobs and Employment Support Services (JESS)  
7020 Chippewa  
St. Louis, MO 63119

RE: Workforce Investment Act (WIA) (Project #2009-SLATE14)

Dear Ms. Tochtrop:

Enclosed is a report of the fiscal monitoring review of Jobs and Employment Support Services, a not-for profit organization, WIA Program for the period July 1, 2008 through May 31, 2009. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Jobs and Employment Support Services. Fieldwork was completed on July 8, 2009.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the St. Louis Agency on Training and Employment (SLATE) to provide fiscal monitoring to grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Michael Holmes, Executive Director, SLATE  
Kim Neske, Fiscal Manager, SLATE



# CITY OF ST. LOUIS CITY OF ST. LOUIS

**ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)  
WORK INVESTMENT ACT (WIA)**

**JOBS AND EMPLOYMENT SUPPORT SERVICES (JESS)  
CONTRACT #224-09  
CFDA #17.259**

**FISCAL MONITORING REVIEW**

**JULY 1, 2008 THROUGH MAY 31, 2009**

**PROJECT #2009-SLATE14**

**DATE ISSUED: NOVEMBER 23, 2009**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

## **INTRODUCTION**

### **Background**

**Contract Name:** Jobs and Employment Support Services

**Contract Number:** 224-09

**CFDA Number:** 17.259

**Contract Period:** July 1, 2008 through June 30, 2009

**Contract Amount:** \$52,575 (\$53,825 Revised)

The contract provided Workforce Investment Act (WIA) funds from the St. Louis Agency on Training and Employment (SLATE) to Jobs and Employment Support Services (Agency) to provide recruitment and marketing of eligible in-school youth into the Workforce Investment Program.

### **Purpose**

The purpose of the review was to determine the Agency's compliance with federal, state and local SLATE requirements for the period July 1, 2008 through May 31, 2009, and make recommendations for improvements as considered necessary.

### **Scope and Methodology**

Inquiries were made regarding the Agency's internal controls relating to the grant administered by the SLATE. Evidence was tested supporting the reports the Agency submitted to SLATE and other procedures were performed as considered necessary. Fieldwork completed was July 8, 2009.

### **Exit Conference**

The Agency declined an exit conference.

### **Management's Responses**

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on November 18, 2009. These responses have been incorporated into this report.

## **SUMMARY OF OBSERVATIONS**

### **Conclusion**

The Agency did not fully comply with federal, state and local SLATE requirements.

### **Status of Prior Observations**

The Agency's previous fiscal monitoring, Project #2008-SLATE6, issued November 21, 2008, contained three observations:

1. The Agency has going concern issues (**Repeated – see current observation #1**)
2. The Agency changed its salary budget without written approval from SLATE (**Resolved**)
3. The Agency did not submit reimbursements in a timely manner (**Resolved**)

### **A-133 Status**

According to a letter received from the Agency, dated June 23, 2009 it did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2009, and was not required to have an A-133 audit.

### **Summary of Current Observations**

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local SLATE requirements.

1. The Agency has going concern issues
2. The Agency did not meet its contractual obligations
3. Opportunity to implement compensating internal controls in lieu of segregation of duties

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES**

### **1. The Agency Has Going Concern Issues**

The analysis of the financial information from the Agency's financial statements for the period ended May 31, 2009 showed a negative working capital of \$242,614.83 and a net loss of \$190,265. The prior fiscal monitoring report dated November 21, 2008, also reported a negative working capital of \$87,033.91 and a net loss \$51,151.34 based on the financial statements for the year ended December 31, 2007. In addition, the Agency's current liabilities included a line of credit of \$249,000 from its bank.

Working capital, excess of current assets over current liabilities, is a measure of an organization's ability to realize assets to satisfy liabilities in the normal course of business. It appears that the Agency's viability to continue to be operational for and beyond the foreseeable future has deteriorated appreciably since the last fiscal monitoring review.

The Agency's WIA grant agreement requires that it must be a fiscally viable entity without the receipt of the grant funds.

Based on its adverse financial position the Agency may not continue to meet the objectives of the grant agreement.

#### **Recommendation**

It is recommended, that the Agency secure additional funding resources and return working capital to a positive position to comply with SLATE contractual requirements.

#### **Management's Response**

*JESS has an on-going issue in regards to finances and continues to work with lenders and funders by submitting monthly financial statements and a working plan to work towards progress in this area. Additional funding sources are continually being sought.*

## **2. The Agency Did Not Meet Its Contractual Obligation**

According to the grant agreement, the Agency was to serve 25 clients (at the rate of 2.08 clients per month) during the agreement period, July 1, 2008 through June 30, 2009. However, according to the Agency's records of the clients served, it served only 11 clients (at the rate of one client per month) during the review period.

According to Appendix "A" Paragraphs one and seven of the contract, "The Contractee shall ensure that the required program services are provided to twenty-five (25) in-school youth" and "is responsible for meeting the performance measures on participants enrolled under their respective contract."

The Agency did not have a system of internal controls to ensure compliance with the objectives of the grant agreement.

Not meeting the objectives of the grant agreement may result in suspension or termination of the grant agreement.

### **Recommendation**

It is recommended, the Agency establish a system of internal controls to ensure its compliance with the terms and conditions of the grant agreement.

### **Management's Response**

*JESS served 24 clients during the above stated contract period...the vast majorities of clients was registered during 3<sup>rd</sup> and 4<sup>th</sup> quarters and are reflected in Performance and Programmatic Reports provided. Program reports are compiled and submitted monthly to SLATE Program Monitor by the Assistant Director who oversees Youth Programs. Weekly meetings are held internally with Youth Service staff to ensure that program goals are being attained.*

### **Auditor's Comment**

The list of the clients served provided by the Agency with the management's responses did not agree with the clients' records the Internal Audit Section reviewed during the fieldwork.

### **3. Opportunity To Implement Compensating Internal Controls In Lieu Of Segregation Of Duties**

The Agency's Fiscal Manager performed incompatible duties such as authorizing payments, recording transactions to the general ledger, and performing bank reconciliations.

Segregation of duties is a key internal control factor established to prevent errors and irregularities in the normal course of business. One person should not have control over a process from beginning to end or perform duties such that errors may not be detected. In circumstances where duties cannot be adequately segregated, mitigating and compensating controls must be implemented to reduce the risk of errors and irregularities. For instance, if the bookkeeper records funds received, prepares the bank deposit and also performs reconciliations, there should be a documented review by management of the work to provide controls over such an assignment of incompatible duties.

The Agency had limited staffing; therefore, the duties could not be segregated.

If adequate segregation of duties or mitigating and compensating controls does not exist, the following may occur:

- Misappropriation of assets
- Misstated of financial statements
- Inaccurate financial documentation (errors and irregularities)
- Improper use of the grant fund

### **Recommendation**

It is recommended that the Agency establish mitigating and compensating controls to prevent risk of errors and irregularities by requiring the executive director or another duly designated person to perform and document the review of the fiscal manger's work.

### **Management's Response**

*Internal controls have been greatly improved and now include members of the Board of Directors Finance Committee to help with oversight. Additional controls and support are provided by the Assistant Director, Executive Director, Administrative Assistant and the Receptionist as a means of checks and balances.*